

APPENDIX B

Medical Homes Network Cost Savings Formula

Reimbursement to the Medical Homes Network (the advisory Board and the Care Coordination Services Organization [CSO]) will be based on a shared savings model. The Network will be paid a prospective care coordination fee per member per month. In order to determine the cost savings achieved by a Medical Homes Network, the cost of enrolled Network members will be accumulated on a quarterly basis and will be compared to the cost of covering those same members in a fully insured Medicaid Managed Care Organization (MCO).

Using eligibility and enrollment data, each Network enrollee's member months will be calculated and placed into an age and sex cell developed for Medicaid HMO payment purposes. Member months will be accumulated by age and sex cells and then be applied against the applicable MCO risk adjusted rates to develop the "Medicaid Upper Payment Limit". The "Medicaid Upper Payment Limit" will also include "kicker" payments made for deliveries and births. The risk adjusted "Medicaid Upper Payment Limit" will then be compared against the Medicaid claim expenditures of Network enrollees (including any prospective care coordination fee payments paid to the Care Coordination Services Organization) to determine whether the Network achieved savings. Claim expenditures incurred by Network enrollees will include only those expenditures that are covered under the Medicaid HMO service package (including an adjustment for claims incurred but not reported).

If the Network realizes savings, then the South Carolina Department of Health and Human Services (SCDHHS) will provide an incentive and will reimburse the Network 50% of the savings realized. However, this payment cannot exceed five percent (5%) of the fee for service payments incurred by the network enrollees. The Network's CSO will be responsible for dividing the Network's share of the savings between the participating practices and the CSO, based on the agreement established between the CSO, the Advisory Board, and the participating practices. If the Network does not achieve savings, SCDHHS will impose a penalty on the Network and a portion, if not all, of the prospective care coordination fee payments must be refunded to the SCDHHS. Only the prospective care coordination fee payments are at risk since the SCDHHS will continue to directly reimburse the providers on a fee for service basis.